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HOUSE BILL 3244 By
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SENATE BILL 3223
By Herron

AN ACT to amend Tennessee Code Annotated, Title 56 and Title 71, relative to health maintenance organizations participating in the TennCare program.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 71, Chapter 5, Part 1, is amended by adding the following as a new section:

Section 71-5-191. (a) Subject to any necessary approval by the federal health care financing administration of the department of health and human services, health maintenance organizations participating in the TennCare program on and after July 1, 2000 shall receive an adjustment to reflect adverse selection to the capitation rate paid to the organization in addition to the base capitation payment as provided in this section. Not later than September 30, 2000, the bureau of TennCare shall develop an adverse selection methodology to implement the provisions of this section on January 1, 2001.

(b) (1) Such methodology shall provide for the adjustment of payments to health maintenance organizations that are eligible under subsection (a) for the purposes of :

(A) assuring that payments to such organizations reflect the expected relative utilization and expenditures for such services by each organization's

enrollees compared to the average utilization and expenditures for enrollees in the TennCare program, and

(B) protecting organizations that enroll a disproportionate share of TennCare enrollees with respect to whom expected utilization of health care services rendered under this chapter and expected health care expenditures for such services are greater than the average level of utilization and expenditures for TennCare enrollees.

(2) The methodology shall take into account categories of enrollees with high cost chronic conditions, pregnancy and premature birth. The methodology may take into account high costs associated with eligibility categories for enrollees in the TennCare program. The methodology shall provide for adjustments that are actuarially accurate. In determining the initial adjustment the methodology shall use encounter data based on an organization's enrollee population and the general TennCare population for the 1999-2000 fiscal year. The methodology shall require the annual recalculation of the adjustments made under this section.

(3) The methodology, to the extent possible, shall be applied in a manner that provides for the prospective adjustment of payments to the eligible organizations.

(c) The methodology shall be developed in a manner consistent with the privacy standards required by federal law.

(d) The commissioner of health is authorized to promulgate rules and regulations to effectuate the purposes of this section. All such rules and regulations shall be promulgated in accordance with the provisions of Tennessee Code Annotated, Title 4, Chapter 5. The commissioner is authorized to use public necessity rulemaking under Section 4-5-209 in order to comply with the implementation date set by this section.

SECTION 2. This act shall take effect on becoming law, the public welfare requiring it.